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ABSTRACT

The financial viability of private colleges was assessed by examining the relationship of expenditures to endowment to voluntary support (nongovernment gifts and grants). A sample of 284 private coeducational colleges was drawn from the Council for Financial Aid to Education's (CFAE) annual survey of voluntary support (1976-1977 to 1980-1981). The three variables (expenditures, endowment, and voluntary support) were obtained from the CFAE report and were used to calculate an index for each institution. The sample was segmented into six categories: Carnegie classification, date of founding, size of enrollment, number of alumni solicited for purposes of fund raising, geographic region, and religious affiliation). The index was used to identify characteristics from the six segments, which are indicators of financial strength and weakness among institutions in the sample. Of the six characteristics, two factors were critical in determining a private college's financial viability: the size of the alumni base and enrollment at the institution. Data analysis identified institutions that are insured of long-term survival and institutions whose future remains doubtful. (Author/SW)

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ABSTRACT

of

A Measurement of Financial Viability Among Private Colleges

by

Phillip J. Bolda and Bruce A. Mack

This study is designed to assess the financial viability of private colleges. Financial viability was determined by examining the relationship of expenditures to endowment to voluntary support (non-government gifts and grants).

A sample of 284 private co-educational colleges was drawn from the Council for Financial Aid to Education's (CFAE) annual survey of voluntary support from 1976-77 to 1980-81. The three variables (expenditures, endowment, and voluntary support) necessary for the study were obtained from the CFAE report. The three variables were used to calculate an index for each institution in the sample. The sample was segmented into six categories (Carnegie classification, date of founding, size of enrollment, number of alumni solicited for purposes of fund-raising, geographic region, and religious affiliation) for purposes of analyzing the data.

The index permits characteristics to be identified, from the six segments studied, as general indicators of financial strength and weakness among institutions in the sample. Based upon the data analysis, the study suggests which institutions are insured of long-term survival and those institutions whose future remains doubtful.

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A MEASUREMENT OF FINANCIAL VIABILITY AMONG PRIVATE COLLEGES

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INTRODUCTION

Private colleges have played a prominent role in the development of American higher education. Although the private college was the foundation of higher education, the emergence of public institutions as a viable educational alternative prompted higher education to change. Today, the status of all institutions of higher education has been placed in doubt by a decrease in the number of traditional college age (18-to-24 year olds) students, a decrease in federal funds earmarked for higher education, and an increased competition among institutions for financial resources. However, the future of private colleges is particularly in doubt and, in common perception, the ability of some private colleges to survive remains questionable.

A paramount concern for any organization is its ability to secure adequate financial resources to support the operation of the organization. Unlike private business, where ratios of debts, assets, and revenues are used frequently to assess fiscal stability, private colleges have not been analyzed or compared in terms of their financial strength. Typically, the benchmark used to assess the financial health of a private college is its ability to "balance the budget" for current operations rather than managing the financial affairs of the institution so a surplus results assuring future operations. As Young has pointed out in his discussion of non-profit organizations, surplus income is essential for the "functioning of a financially viable organization" (Young, 1982, p. 124). He goes on to point out that even if a non-profit organization is not anticipating a growth in operations and plans to maintain a status quo, assets will need to be replaced beyond the capacity of normal sources of revenue.

The need for private colleges to secure annual levels of surplus income is especially important since the majority of these colleges are

lesser known institutions or "invisible colleges" (Astin and Lee, 1971). Many of these institutions have very modest (if any) endowment. Although most private colleges have a unit of the organization commonly referred to as the "development office" responsible for securing private gifts and grants, these institutions do not have the capacity to obtain that portion of the annual operating budget needed to offset shortfalls in income necessary for the operation of the college. To this extent, the growth and size of the endowment of a private college has become the simpliest measure of the financial stability of the institution, and the likelihood it will continue to operate.

PURPOSE

Although the subject of finance within higher education has been researched and discussed, the majority of the discussion has focused on particular aspects of an institution (e.g., enrollment, tuition income, government support, etc.) and little has been done to determine the financial health of an institution. The major contribution which we attempt to make in this paper is to demonstrate that the financial viability of a private college can be assessed by examining the relationship of expenditures to endowment to voluntary support (non-government gifts and grants).

OVERVIEW OF THE LITERATURE

Typically, enrollment is seen as a critical factor in the life of a private college. In general, private institutions tend to maintain relatively modest enrollments with 63 percent (423 of 675 colleges) of the selective and less selective liberal arts colleges having enrollments of less than 1,000 students (National Commission on Financing Post-secondary Education, 1973, p. 166). Jellema (1973, p. xi) points out

that very small institutions (less than 500 students) are most vulnerable to adverse enrollment trends unless they have a large enrollment because their fixed cost per student remains high. As the Carnegie Commission (1972, p. 41) has suggested, a liberal arts college should enroll approximately 1,000 to 2,500 students to remain a viable part of the higher education enterprise.

The financial dependence private colleges have on enrollment, means the competition for students will increase as the pool of applicants decreases. The cost of attending a private institution will become more important, particularly since more families will have several children of college age at the same time (Breneman and Finn, 1978, p. 153-154). Jenny feels institutions which falter economically do so because their "enrollment foundation has eroded" (Finn, 1978, p. 32 from Hans H. Jenny, "Higher Education and the Economy," ERIC/Higher Education Research Series Report No. 2, American Association of Higher Education, 1976, p. 12). However, Millett's research (1976, p. 75) found enrollment to be a contributing factor and not necessarily a predictor of college failure.

Income from tuition is the primary source of support for private colleges. Annually, 65-69 percent of the educational and general revenue for private colleges (whether they are highly selective or less selective) comes from tuition and fees (Bowen and Minter, 1975, p. 54 and 1976, p. 56). Therefore, the ability of an institution to secure adequate income from tuition is linked closely to enrollment.

Benezet and Magnusson's (1981) discussion of enrollment-driven colleges points out that highly selective liberal arts colleges will be least affected because their clientele is "appreciative of the long range benefits of a liberal education at a prestigious institution"

(p. 336). They cite less selective liberal arts colleges as being most vulnerable because their appeal is regionally oriented and their small size makes their programs and budgeting capability less flexible (p. 337).

If an institution is unable to increase enrollment, the logical alternative is to maintain a stable enrollment. O'Neill and Barnett (1980) feel a stable enrollment does not insure that tuition-dependent colleges will stabilize or improve their financial health. As they point out, stability in enrollment may "hide changes in the college's drawing power, in the composition of the student body, or in the cost of enrolling those students" (p. 9).

Enrollment, however, is not the prime controlling factor when an institution finally closes. As Millett (1976) points, declining enrollment is the cause of disaster and anytime a college (large or small) experiences such a decline it faces severe financial and management difficulties. A factor Millett feels contributes to these difficulties is that expenditures are not cut proportionately to compensate for the decline in enrollment.

Jellema's research (1975) examined endowment as a source of income. He found the size of an institution's endowment varies and that endowment "exists in a reciprocal relationship with size and complexity" (p. 77). He points out that institutions are able to grow larger and more complex in response to their endowment and growth of the institution tends to enhance the growth of the endowment.

The quality of an institutional program tends to influence the size of the endowment. Bowen and Minter (1975, p. 54 and 1976, p. 56) found highly selective private institutions (Liberal Arts I Colleges) generating 14 to 15 percent of their annual income from endowment. They found less selective institutions (Liberal Arts II Colleges) generating only 5 to

6 percent of their annual income from endowment. As Mayhew points out, few institutions have significant endowments and it appears unlikely many private colleges can expect to raise one (1980, p. 3).

A major source of revenue for private colleges is private gifts and grants (sometimes referred to as "voluntary support"). Although private institutions generate approximately 11 to 15 percent of their income from gifts and grants (Bowen and Minter, 1975 and 1976), some institutions are more successful at securing this type of revenue. In 1980-81, total voluntary support to private coeducational colleges ranged from $59,525 to $10,941,416 with the average being $1,783,000 (Council for Financial Aid to Education, 1982, p. 7 and 16-30). As Jellema (1973, p. 66) points out, the smaller the institution the more dependent it is on unrestricted gifts and grants as a way to finance the operation of the college.

More successful institutions secure private gifts and grants because they foster educational ideas that are attractive to prospective donors. However, this position is hardly typical for an institution in crisis. These institutions do not have sufficient time or resources to formulate such ideas and emergency efforts to shift the institution's image produce more confusion than clarity (Mayhew, 1980, p. 86).

Bowen and Minter (1976) view an institution's ability to secure private gifts and grants in two somewhat contradictory ways; the ability to raise large sums of gift income will have a positive impact on the institution, but institutions heavily dependent on gift income for a large portion of their operating budget may indicate financial weakness which threatens future operations. Efforts to accumulate endowment are slowed, postponed and placed in secondary importance. As they point out, institutions unable to balance the budget and continue to incur deficits "are almost always a sign of financial distress" (1976, p. 58).

Financial distress resulting from continuing deficit spending severely hampers the operation of a private college. Avoiding operating deficits should be a primary concern of private institutions, unless large reserve funds are available so the principal of the endowment is kept intact and it does not become necessary to use gift income to balance the budget (Mayhew, 1980, p. 267). Wynn points out that the financial distress prompted by deficits eventually leads to "quality distress" (1974, p. 17). Cost cutting efforts prompted by deficits rid the institution of non-essentials, continued deficits mean certain institutional qualities become victims. Deficits eventually affect an institution's ability to borrow to finance current operations which O'Neill and Barnett (1980) feel is the "unmistakeable sign of imminent financial death" (p. 7). This may force an institution to close and in the last days or years before closing the last reservoirs of financial strength are usually expended. Unlike private businesses, few colleges cease operations abruptly, unexpectedly or gracefully (O'Neill, 1983, p. 25). The question of taking measures to bail out or continue operation of a college that has little hope of long-term survival, is a question of public policy. The Carnegie Foundation for the Advancement of Teaching suggests that "bailing out" all private institutions in financial difficulty is not necessary or recommended (1975, p. 126).

METHODOLOGY

Our approach in conducting research was to study selected private coeducational colleges which were listed in the Council for Financial Aid to Education's (CFAE) annual report of voluntary support. Each year approximately 440 private coeducational colleges participate in the CFAE national survey. Our sample was comprised of 284 private coeducational colleges listed in the CFAE annual report from 1976-77 to 1980-81.

From the CFAE annual report, we utilized three variables necessary for the study. The variables included: expenditures (educational, general, and student aid), endowment (market value), and total voluntary support (corporation, foundations, non-alumni, and religious denominations).

These three variables were used to calculate an index for each institution in the sample. The institutions in the sample were then segmented into six categories for purposes of the detailed analysis. The six categories were: (1) Carnegie classification; (2) date founded; (3) size of enrollment; (4) number of alumni solicited for purposes of fund-raising; (5) geographic region; and (6) religious affiliation. For purposes of the analysis, a mean and median were calculated for each segment for comparison to the sample mean and median.

FINDINGS

Table I examines the financial viability of colleges comprising the sample by size of alumni base. The size of each institution's alumni base was obtained from the Council for Financial Aid to Education's (CFAE) annual report for 1980-81. The alumni base is defined as "the number of alumni solicited through the annual fund" (Council for Financial Aid to Education, 1982).

Size of the alumni base does have a bearing on an institution's financial viability. Institutions with an alumni base of 20,000 and over were the most financially viable segment of the sample. Annually, the mean and median for this segment was at least twice as large as the mean and median of the entire sample. Two other segments exceeded the sample mean and median; institutions with an alumni base of 10,000-14,999 and 15,000-19,999. Of these two segments, institutions maintaining an alumni base of 10,000-14,999 showed greater strength.

TABLE I

Financial Viability Index
by
Size of Alumni Body

Mean ($\bar{X}$) and Median

Alumni Body[1]	(Size of Sample Segment)		1976-77	1977-78	1978-79	1979-80	1980-81
1 - 4,999	(40)	$\bar{X}$	1.59	1.93	2.26	2.70	2.81
			0.73	0.16	0.43	0.43	0.09
5,000 - 9,999	(122)	$\bar{X}$	7.11	6.96	7.12	7.94	9.31
			3.20	2.86	2.59	3.83	4.30
10,000 - 14,999	(76)	$\bar{X}$	28.67	27.74	28.46	34.61	43.10
			12.18	11.21	11.40	11.63	15.05
15,000 - 19,999	(30)	$\bar{X}$	19.36	20.47	20.89	23.10	27.40
			10.62	13.83	11.23	12.86	19.92
20,000 - Over	(15)	$\bar{X}$	38.63	41.47	47.55	46.68	54.36
			11.01	11.33	23.61	13.94	17.17
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

[1]One institution in the sample did not report this information.

Two segments of the sample annually maintained an index which was below the sample mean and median. Colleges with an alumni base of 5,000-9,999 had a better index annually, and therefore were more financially viable.

Table II examines the financial viability of the sample according to the Carnegie classification. The Carnegie classification "has been used increasingly for research and analysis relating to higher education by many organizations and individuals" (Carnegie Council on Policy Studies in Higher Education, 1976, p. v).

There is a clear distinction among institutions classified by the Carnegie Council in terms of their financial viability. Annually, the Liberal Arts I Colleges are clearly the strongest in terms of financial health. The mean and median for this set of institutions exceeded the sample mean and median, with the index for Liberal Arts I Colleges annually doubling the mean and median of the sample. The most financially viable set of institutions of the three remaining Carnegie groups were Comprehensive Universities and Colleges I followed by Comprehensive Universities and Colleges II and Liberal Arts II Colleges respectively.

Table III examines financial viability of institutions within the sample segmented by date of founding. During the five-year period of the study, each of these segments experienced positive growth in its index as evident by the mean. Comparing the group of colleges founded before 1800 and those colleges founded between 1800-1849 illustrates the index for each segment showed strength greater than the sample, but that the index for colleges founded before 1800 clearly overshadowed the index for the other segments of the sample. For all institutions in the sample, colleges founded after 1900 had the weakest index on an annual basis, and were therefore the least financially viable set of institutions.

TABLE II

Financial Viability Index
by
Carnegie Classification[1]

Mean ($\bar{X}$) and Median

Classification	(Size of Sample Segment)[2]		1976-77	1977-78	1978-79	1979-80	1980-81
Comprehensive Universities & Colleges I	(54)	$\bar{X}$	12.13	12.03	11.28	12.34	14.78
			2.42	1.56	2.52	2.47	3.10
Comprehensive Universities & Colleges II	(52)	$\bar{X}$	8.47	9.18	9.35	11.45	13.57
			0.60	-0.01	0.39	0.92	3.92
Liberal Arts I Colleges	(73)	$\bar{X}$	38.91	38.12	40.77	45.42	54.48
			23.80	21.22	24.69	23.57	29.20
Liberal Arts II Colleges	(102)	$\bar{X}$	4.06	4.32	4.69	5.26	5.68
			1.80	1.90	2.07	2.77	2.26
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

[1]Definitions of Carnegie Classification:

- Comprehensive Universities & Colleges I includes institutions offering a liberal arts program as well as several other programs, such as engineering and business administration.

- Comprehensive Universities & Colleges II includes state colleges and private colleges offering a liberal arts program and at least one professional or occupational program, such as teacher training or nursing.

- Liberal Arts Colleges I includes colleges scored 1030 or more on a selectivity index developed by Alexander W. Astin or they were included among the 200 leading baccalaureate-granting institutions in terms of numbers of their graduates receiving Ph.D.'s at 40 leading doctorate-granting institutions from 1920 to 1966 (National Academy of Sciences, Doctorate Recipients from United States Universities, 1958-1966, Washington, D.C. 1967, Appendix B).

- Liberal Arts Colleges II includes all the liberal arts colleges that did not meet the criteria for inclusion in the first group of liberal arts colleges.

(The Carnegie Council on Policy Studies in Higher Education, 1976, p. xvi and xvii.)

[2]Three institutions in the sample were not classified as a comprehensive universities and colleges or liberal arts colleges by the Carnegie Classification.

TABLE III

Financial Viability Index
by
Date of Founding

Mean ($\bar{X}$) and Median

Institutions Founded[1]	(Size of Sample Segment)		1976-77	1977-78	1978-79	1979-80	1980-81
Before 1800	(10)	$\bar{X}$	38.26	39.55	41.27	49.41	55.99
			21.35	18.88	19.94	24.24	25.62
1800-1849	(66)	$\bar{X}$	29.29	28.53	28.48	32.64	38.52
			13.04	11.44	13.08	15.52	20.56
1850-1899	(139)	$\bar{X}$	14.95	16.12	14.86	16.78	19.48
			4.12	3.45	4.65	5.24	5.75
1900 - Present	(68)	$\bar{X}$	0.54	2.14	2.03	1.80	3.05
			0.03	-0.87	-0.26	-0.35	-0.14
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

[1]One institution in the sample did not report its founding date.

Table IV examines the financial viability of the sample colleges segmented by size of enrollment. Enrollment data reported to CFAE in the annual survey were used to calculate a five-year enrollment average for each institution in the sample.

The data indicate the financial viability of the colleges studied clearly varies by size of enrollment. Three segments of the sample annually had indices which outperformed the mean and median for the entire sample. Institutions enrolling 2,500-2,999 were the strongest of colleges in terms of their financial viability. Colleges with average enrollments of 1,500-1,999 and 1,000-1,499 had means which annually exceeded the sample mean. Although the two segments were very close in terms of financial viability, the segment with an average enrollment of 1,500-1,999 was slightly stronger than the 1,000-1,499 segment in terms of financial viability.

Three segments of the sample did have indices which fell below the sample mean. The segment which maintained an average enrollment of 3,000 and over was the strongest in terms of financial viability of the three segments. Institutions with average enrollments of 1-499 and 500-999 were not only the weakest in terms of financial viability, but their indices were usually less than 50 percent of the sample mean.

Table V examines the financial viability of the institutions in the sample segmented by their geographic locations. Colleges in the sample were grouped according to geographic location by utilizing the Council for Advancement and Support of Education's (CASE) regions as defined in the 1982-83 membership directory for CASE.

Institutions in certain regions are more financially viable than other segments of the sample. Those in the New England region maintained the strongest index. Three other segments of the sample maintained an

TABLE IV

Financial Viability Index
by
Enrollment

Mean ($\bar{X}$) and Median

Enrollment	(Size of Sample Segment)		1976-77	1977-78	1978-79	1979-80	1980-81
1 - 499	(5)	$\bar{X}$	7.43	5.89	6.16	7.20	7.31
			2.76	3.54	3.39	3.01	3.88
500 - 999	(61)	$\bar{X}$	6.98	6.93	7.73	8.30	9.25
			3.05	3.02	4.11	4.18	4.57
1,000 - 1,499	(76)	$\bar{X}$	17.43	15.51	18.09	20.91	24.84
			5.21	5.48	6.70	6.40	7.31
1,500 - 1,999	(50)	$\bar{X}$	21.66	22.55	21.11	26.65	32.00
			5.34	11.02	10.93	12.64	13.96
2,000 - 2,499	(31)	$\bar{X}$	15.62	14.48	15.19	18.76	21.76
			3.25	2.76	3.70	5.41	4.58
2,500 - 2,999	(23)	$\bar{X}$	29.77	27.81	28.81	31.32	34.59
			7.53	5.97	7.44	7.09	6.53
3,000 - Over	(38)	$\bar{X}$	12.51	12.50	12.12	12.84	18.51
			1.28	0.02	0.72	-2.23	-0.70
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

TABLE V

Financial Viability Index
by
Geographic Location

Mean ($\bar{X}$) and Median

Region[1]	(Size of Sample Segment)		1976-77	1977-78	1978-79	1979-80	1980-81
New England	(21)	$\bar{X}$	40.37	39.45	34.19	44.51	52.27
			6.38	6.33	2.98	4.66	5.17
Middle Atlantic	(67)	$\bar{X}$	12.76	11.43	13.40	15.33	18.07
			1.80	1.29	2.09	3.34	3.18
Southeastern	(44)	$\bar{X}$	17.89	17.99	19.54	22.21	23.93
			6.72	5.93	6.90	6.36	6.29
Great Lakes	(79)	$\bar{X}$	14.71	14.90	15.18	15.86	18.87
			5.92	5.56	7.62	7.51	10.04
Mid-America	(36)	$\bar{X}$	7.87	7.96	8.77	11.02	13.26
			2.27	2.88	1.43	5.05	3.99
Southwest	(13)	$\bar{X}$	22.65	26.02	24.82	36.87	32.15
			8.13	13.03	16.79	19.05	16.29
Far West	(13)	$\bar{X}$	10.49	9.29	14.22	14.39	20.40
			0.26	0.16	1.47	0.29	4.09
Pacific Northwest	(11)	$\bar{X}$	16.04	15.36	15.69	14.76	23.02
			7.70	2.42	2.12	1.33	5.64
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

[1]Regions defined:

- New England region includes: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.
- Mid-Atlantic region includes: Maryland, New Jersey, New York, Pennsylvania, and West Virginia.
- Southeastern region includes: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.
- Great Lakes region includes: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.
- Mid-America region includes: Colorado, Iowa, Kansas, Missouri, Nebraska, North Dakota, and South Dakota.
- Southwest region includes: Arkansas, Louisiana, Oklahoma and Texas.
- Far West region includes: California.
- Pacific Northwest region includes: Idaho, Montana, Oregon, and Washington.

annual index surpassing the sample mean. These institutions were located in the Southeastern region, Southwest region, and Far West region, with the Southeastern institutions being the strongest of the three in terms of financial viability.

The three remaining segments ranked below the sample mean. Although institutions in the Mid-Atlantic and the Great Lakes regions were below the index for the sample, both segments hovered close to the sample mean annually with the Great Lakes institutions having the strongest index of the two segments. Colleges and universities located in the Mid-America region maintained the weakest index, and therefore were less financially viable than the other segments of the sample.

Table VI examines the financial viability of institutions in the sample according to their religious affiliation. An institution's religious affiliation was determined by using The College Handbook, 1982-83 which is published by the College Entrance Examination Board.

The financial viability of institutions maintaining religious affiliations varies greatly. The segment most financially viable were institutions with no religious affiliation. As the data illustrate, the mean and the median annually for this segment was at least twice as large as the sample mean and median.

Several segments of the sample which maintained a religious affiliation demonstrated they were indeed financially strong. Those affiliated with the Baptist and Presbyterian churches were the most financially viable of institutions affiliated with a specific denomination. Colleges and universities affiliated with the Methodist churches and "Other Protestant" denominations maintained an annual index very close to or in excess of the sample mean.

TABLE VI

Financial Viability Index
by
Religious Affiliation

Mean ($\bar{X}$) and Median

Affiliation	(Size of Sample Segment)		1976-77	1977-78	1978-79	1979-80	1980-81
Baptist	(16)	$\bar{X}$	25.77	21.49	21.97	23.27	23.41
			17.78	5.59	6.89	6.55	7.68
Catholic - Roman	(62)	$\bar{X}$	-0.09	-0.72	-0.41	-0.27	-0.38
			-0.63	-1.31	-0.62	-0.66	-0.95
Christian Church - Disciples of Christ	(6)	$\bar{X}$	3.99	3.91	3.96	4.93	7.34
			1.30	1.04	0.93	0.86	3.84
Independent - No Religious Affiliation	(71)	$\bar{X}$	31.46	31.40	33.27	38.40	46.86
			14.57	13.78	13.76	14.23	18.25
Lutheran	(23)	$\bar{X}$	4.30	3.92	5.60	5.88	4.92
			2.32	0.93	2.01	2.37	1.09
Methodist	(37)	$\bar{X}$	14.89	15.03	15.96	17.60	18.10
			9.40	13.87	10.91	16.90	18.58
Presbyterian	(29)	$\bar{X}$	20.40	21.61	20.71	25.84	29.86
			11.06	10.31	10.19	11.38	10.96
United Church of Christ	(11)	$\bar{X}$	6.86	7.21	7.78	8.38	9.59
			5.01	5.53	5.50	4.82	5.14
Other Protestants	(29)	$\bar{X}$	14.49	17.23	16.46	20.12	21.59
			3.05	3.84	4.92	4.72	8.27
Sample	(284)	$\bar{X}$	15.74	15.40	18.64	18.85	21.68
			4.16	4.13	5.01	4.83	5.16

Several segments of the sample maintained an annual index which fell below the sample mean. The segments included, in descending order of financial strength, institutions affiliated with: the United Church of Christ; the Lutheran churches; the Disciples of Christ (Christian Church); and the Catholic (Roman) church. Of particular note are those institutions affiliated with the Catholic church, since the index for this segment has been declining in each of the five years studied.

CONCLUSIONS

The results of this research allow specific conclusions to be made about the financial viability of private colleges. Of the six characteristics studied, two factors are critical in determining the financial viability of a private college. A direct relationship exists between financial viability and the size of the alumni base for purposes of gift solicitation. An alumni base of 20,000 and over provides the most financially viable college, but if the base does not exceed a level of at least 10,000 the financial viability of the institution is likely to be in question.

Enrollment has a significant impact on the institution's financial viability. This move toward increased size seems to peak in its financial effect at the 2,500-2,999 level. Even if this optimum enrollment is unattainable the data indicate an institution should maintain at least a base enrollment of 1,000 to be financially viable.

Of the four remaining characteristics (Carnegie classification, date founded, geographic location, and religious affiliation), each affects financial viability but is unlikely to be altered. Highly selective institutions (i.e., Liberal Arts I Colleges) continue to be the most financially viable, but the resources (financial and non-financial) necessary to make appropriate adjustments in quality might be better spent on areas that yield an immediate impact on the institution's

financial health. In the case of date founded, unless the institution is willing to follow the example of Westminster College in Utah ("Faculty Wary of Plan to Close Utah College, Change Its Name, and Reopen a Day Later" The Chronicle of Higher Education, February 23, 1983, p. 11), or merge with another institution, the institution must "live with" its historical heritage. Geographic location is a variable that can be altered only slightly. For example, satellite campuses develop, but this may imply deterioration of program quality. In the case of religious affiliation, becoming an independent institution or changing the institution's affiliation may positively impact financial viability, however this may not be an easy task given the institution's constituency.

By calculating an index for the sample in this study, and then breaking down the sample into six major component characteristics, we have attempted to show which attributes are general indicators of strength and which are indicators of weakness. To the extent the index supports some common views on its face (that Liberal Arts I Colleges in New England that were founded before 1800 are likely to be stronger financially than Liberal Arts II Colleges in the Great Lakes region founded after 1900 - for example) we are encouraged that these views can now be quantified.

Although there are always exceptional cases, and each private college nurtures the "myth of its own uniqueness" (O'Neill, 1983, p. 51), we believe that continued work in this area will further quantify a workable and simple manner to distinguish between the strong, prosperous institutions and the weak, struggling ones. To be able to do so with simple calculations, drawn from secondary data, enables the supporters of higher education to see financial viability with a clearer view.

In short, this study points out that not every private college deserves, as a matter of public policy, to survive. To the extent that the final

efforts of institutions with no hope of long-term survival drain financial resources from other competing institutions, they harm private education. They harm higher education as a whole by reducing the public's image of post-secondary education.

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